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Item 6 of the agenda

DRAFT REPORT OF THE STANDING COMMITTEE ON POVERTY ALLEVIATION ON ITS THIRD SESSION

Rapporteur: Mr. H. Tausch (Switzerland)

INTRODUCTION AND ITEMS 3 and 4

Speakers:
Chairman
Officer-in-charge of UNCTAD Secretariat
Chile
Brazil
France (for EU)
European Community
China
Japan
Nepal (for Asian Group)
Mexico

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

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INTRODUCTION

1. The Standing Committee on Poverty Alleviation held its third session at the Palais des Nation, Geneva, from 12 to 16 June 1995.

2. In the course of its session, the Standing Committee held .... formal plenary meetings (12th to .... plenaries) and .... informal meetings.

Opening statements

3. The **Chairman** drew attention to the magnitude of poverty existing in the world. Unevenly distributed among and within countries, poverty had a propensity to afflict women and children disproportionately. "Putting people first", as recommended by the World Summit for Social Development, was the only way to respond to this daunting challenge. He then referred to the recommendations to the Social Summit made by the Standing Committee at its second session with respect to the links between poverty alleviation and international trade, structural adjustment policies, the burden of debt servicing and debt-conversion schemes in support of small-scale enterprises and small-holders engaged in exports production. In following up the recommendations of the Social Summit and preparing for the International Year for the Eradication of Poverty (1996), the United Nations system could seek to mitigate poverty by making sure that each and every constituent part of the system combated poverty in accordance with its specialized area of competence and expertise. Only through such a collective approach could the multifaceted task of eliminating poverty be effectively tackled. In this respect, UNCTAD's focus on poverty elimination had been linked to its areas of responsibility and specialized competence in trade and development through increased export opportunities, foreign direct investment, commodities, and science and technology, paying particular attention to the least developed countries, of which the African countries comprised the largest group. The substantive items before the current session were highly relevant to the core issues on the provisional agenda of UNCTAD IX, namely, poverty and increased marginalization. In closing, he referred to the review of the work programme (TD/B/CN.2/15, para. 16, sections (a) to (f)) which contained suggestions by the UNCTAD secretariat for a sustained effort to eliminate poverty.

4. The **Officer-in-charge of UNCTAD** said that the issues on the Standing Committee's agenda were of the utmost importance. The examination of the links between poverty alleviation and international trade was timely, given the recent entry into force of the Uruguay Round agreements. There was broad consensus in the international community that these agreements represented a major step forward in achieving trade liberalization and the consolidation of a rule-based international trading system. The question of their impact on world poverty still remained to be answered, however. As for the effectiveness of official development assistance

for poverty alleviation (agenda item 4), it was hoped that the Committee would be able to reach a consensus on practical recommendations to national Governments and donor institutions. This subject was currently the object of intense scrutiny and appraisal in both donor and recipient countries. The review by the Standing Committee of the implementation of its work programme, and the possible future orientation of the work of UNCTAD on poverty alleviation were also important. With regard to the former, that is the substantive work carried out by the Committee, the range of topics addressed was impressive, both with respect to chronic and sporadic poverty. They included structural adjustment policies, social funds and safety nets, the social mobilization of the poor, and poverty alleviation in relation to international trade, on the one hand, and the effectiveness of official development assistance in reaching the poor and needy, on the other. The findings and recommendations had been passed on to national capitals; several had also been incorporated into the Agreed Programme of Action of the World Summit for Social Development. A growing number of requests for technical assistance had been received from member States, along with proposals for joint research projects with other international organizations. In sum, much had already been accomplished during the Committee's brief existence constituting a sound basis on which to deal with outstanding matters concerning poverty alleviation which remained an imperative need.

5. The international community had made clear at the World Summit for Social Development how much was to be done for socioeconomic development in general, and poverty alleviation in particular. The two were entwined: absolute poverty was clearly associated with the question of whether or not a country was developing, while relative poverty tended to reflect income distribution, economic opportunity and social mobility. In either case, poverty alleviation was linked to economic and social progress and therefore remained at the centre of efforts aimed at achieving socioeconomic progress. For UNCTAD, the main challenge was to establish organizational links between the work on poverty and the other activities and mandates in which it could offer comparative advantages. The experience gained in poverty alleviation in relation to international trade showed that powerful analytical synergies could be brought to bear. A similar experience had occurred in the context of the work of the Commission on Science and Technology for Development, which had examined the impact of technological change on the satisfaction of basic needs. This effort could also be extended to other areas of work within UNCTAD, such as foreign direct investment, commodities and the development of the least developed countries. Thus UNCTAD could reinforce to the utmost its contribution to the implementation of the recommendations of the Social

Summit and the preparations for the International Year for the Eradication of Poverty, in 1996. In analysing the possible orientation of the work programme of the Standing Committee after UNCTAD IX, the Committee might wish to examine the proposals contained in the "Review of the implementation of the work programme of the Standing Committee on Poverty Alleviation, and proposed future orientation of the work of the Committee" (TD/B/CN.2/15).

Chapter I

ANALYSIS OF THE EFFECTS ON THE LIVELIHOOD OF THE POOR OF ELIMINATION OF TRADE BARRIERS, INCREASED COMPETITIVENESS, TRADE FLOWS, EXTERNAL SHOCKS, DIVERSIFICATION OF EXPORTS, PARTICULARLY OF LABOUR-INTENSIVE GOODS, AND MARKET ACCESS FOR SUCH GOODS

ANALYSIS OF THE EFFECTIVENESS AND IMPACT OF INTERNATIONAL DEVELOPMENT COOPERATION FOR POVERTY ALLEVIATION, INCLUDING THE IDENTIFICATION OF IMPEDIMENTS, INNOVATIVE MEASURES AND EFFECTIVE STRATEGIES FOR REACHING THE POOR

(Agenda items 3 and 4)

6. For its consideration of these items, the Standing Committee had before it the following documentation:

"International trade and poverty alleviation", report by the UNCTAD secretariat (TD/B/CN.2/13);

"International development cooperation for poverty alleviation: aid effectiveness", report by the UNCTAD secretariat (TD/B/CN.2/14);

"Review of the implementation of the work programme of the Standing Committee on Poverty Alleviation, and proposed future orientation of the work of the Committee", note by the UNCTAD secretariat (TD/B/CN.2/15);

"Report on the Workshop on Poverty Alleviation through International Trade" (Santiago, Chile, 10-13 January 1995) (UNCTAD/ECDC/PA/1).

General debate

7. The **Director of the Division for Economic Cooperation among Developing Countries and Special Programmes** introduced the two substantive items on the agenda. Turning first to international trade and poverty alleviation (TD/B/CN.2/13), item 3 of the agenda, she pointed out that the report first dealt with how the reduced trade barriers and increased trade flows resulting from the Uruguay Round were expected to affect poverty in the developing countries, while the second part treated the question of policy guidelines for developing countries

to reduce poverty through encouraging labour-intensive exports that would benefit from the reduced barriers to trade. She also drew attention to the recent workshop held in Santiago (Chile); its conclusions had served as the basis for the strategies proposed in the second part of the report.

8. On the subject of poverty alleviation through official development assistance (ODA) (item 4 of the agenda), the secretariat report emphasized the need for debt relief and increased aid effectiveness in reaching and benefiting the poor. Although one approach was poverty alleviation through trade development while the other sought to accomplish the same end through ODA - they were nevertheless closely linked. She cited the example of a proposed project in Bolivia where UNCTAD had been requested to help prepare a project document for donor funding of export-oriented floricultural production. Finally, she invited suggestions in respect of the "Review of the implementation of the work programme" (TD/B/CN.2/15).

9. The representative of **Chile** referred to the World Summit for Social Development, and its emphasis on placing people and the quality of life at the centre of economic growth and development policies, and to the forthcoming Ninth Conference of UNCTAD, pointing out that the third session of the Standing Committee should avail itself of the opportunity to evaluate the practical results achieved and make a contribution by implementing the Programme of Action of the Summit in respect of tasks within its mandate. As specific achievements to date, the Standing Committee could count (a) exchanges of national experience on ways to alleviate poverty, (b) the analytical work carried out by the UNCTAD secretariat in the preparation of substantive reports for the Standing Committee and (c) the holding of three expert meetings, citing in particular the Tunis and Santiago workshops. These latter had served to bring together experts intent on seeking remedies to alleviate poverty. As for future sessions of the Standing Committee, he proposed that if they lasted no more than three days, they would be more dynamic. In concluding, he voiced his Government's gratitude for the work of the UNCTAD secretariat and the financial support of the UNDP and the Governments of the Netherlands and of Switzerland, which had enabled the holding of the workshop in Santiago on poverty alleviation through international trade.

10. The representative of **Brazil** said that his Government attached utmost importance to UNCTAD's role in developing a consistent strategy to combat poverty. UNCTAD's analyses had been used by the authorities in his country as technical references in the formulation of poverty alleviation programmes. UNCTAD's universality was valuable. It offered a unique forum for discussions and exchanges

of views on approaches to the subject taken in other parts of the world, with resultant benefits for all concerned. He supported the proposal for cooperation with FAO, WHO and UNCHS/Habitat to identify and adopt improved technologies to satisfy the most pressing needs of the poor (TD/B/CN.2/15, page 8), as the specificities and attributes of the various United Nations bodies and other forums should be maximized. In the face of many sectoral studies on poverty, developing countries had felt the need for consolidated formulations rather than piecemeal, fragmented approaches. An integrated conceptual framework was sought which could serve as a basis for concrete initiatives. For most developing countries, poverty eradication was integral to the development question. As the only intergovernmental body with universal membership dealing exclusively with poverty, the Standing Committee had accumulated valuable experience in the field of development. Hence his Government was in favour of launching, under UNCTAD auspices, a project to develop an integrated approach to poverty eradication. Such a project would constitute the most promising contribution that the Standing Committee could make to the United Nations International Year for the Eradication of Poverty, in 1996. Notwithstanding the complexities of such an undertaking, the difficulties merely underlined the merits of such an exercise.

11. The representative of **France**, speaking on behalf of the **European Union**, stated that the current session had served to perpetuate the objectives of the World Summit on Social Development, which had placed the fight against poverty at the centre of its concerns. With regard to aid effectiveness and international cooperation on poverty alleviation, as outlined in TD/B/CN.2/14, while recognizing that the document highlighted certain essential aid strategies, in particular aid effectiveness through targeting, there was nevertheless some disappointment that the report put the share of ODA that DAC member countries had devoted to aid of a social character geared to satisfy essential needs as amounting to only 7 per cent when in fact the European Union had allocated 23 per cent of aid spending to education, health, water, sanitation, food assistance, emergency humanitarian assistance and debt alleviation, aid that also contributed to reducing poverty. While acknowledging that the allocation of aid could benefit various income groups, he felt that a purely income-based definition of poverty did not properly reflect the complex nature of poverty. Moreover the report in question did not focus enough attention on the important role of women in the fight against poverty. As for the report's observation that donor countries had been reducing their support given through ODA, several member countries had attained, and even surpassed, the target of 0.7 per cent, while others were close to their goal. Concerning debt reduction, the European Union would have preferred to see the impact of such

reductions on poverty alleviation analysed in greater depth. The report had surprisingly not referred to the "Naples" agreement, adopted by the Club of Paris in 1994, with respect to the least developed countries. Although the short-term effects of ODA on poverty alleviation had been examined, the long-term effects had been neglected.

12. That being said, the European Union appreciated the policy guidelines outlined in the document as a means to increase the effectiveness of aid, namely: aid decentralization; aid targeting; adoption of a suitable regulatory framework; sustainability; programme appraisal. He then drew attention to the basic aims of the European Union with respect to development cooperation on reducing poverty: (a) securing growth that would reduce inequality by favouring the access of the poor to productive resources; and (b) developing basic social services for all, in order to improve the living conditions of the most vulnerable segments of the population especially. In concluding, he said that the work done by the Standing Committee was valuable particularly because of the quality of the documentation prepared for the sessions. As for whether it would be necessary after UNCTAD IX to continue with a specific committee on poverty alleviation, or whether poverty alleviation should not be integrated into each of the individual programmes within UNCTAD's competence, this decision would be for UNCTAD IX to take.

13. The representative of the **European Community** said that the documents prepared by the secretariat had been most enlightening. More could have been said about the Santiago Workshop and the potential for export in sectors other than (a) fresh and preserved vegetables and fruits and (b) footwear and knitwear. The findings of the workshop seemed inconclusive and the conclusions reached (in TD/B/CN.2/13) rather too general and hypothetical in nature. The effects of the Uruguay Round agreements on economic growth did not necessarily coincide with their effects on poverty. It would have been helpful to examine the short- and long-term implications of the Uruguay Round agreements, and to enquire further into the relationship between trade liberalization, economic growth and poverty alleviation, differentiating not only between developing countries but also in terms of the structures of their economies. Because of the magnitude of uncertainty about the effects of the Uruguay Round, any analysis of its impact on poverty should be deferred for the time being. He expressed reservations about the model utilized in the report: the cross-sectional approach used was not likely to yield satisfactory results. Despite the reservations mentioned, the Community could subscribe to most of the conclusions and policy recommendations set out in TD/B/CN.2/13, paragraphs 70 to 75.

14. The representative of **China** stated that issues on the agenda were of the utmost importance, and that tackling these concerns should serve as an impetus to mobilize the international community to do more. While the new trading system, established as a consequence of the Uruguay Round, would no doubt have an impact on poverty, the nature of this impact was still unknown. The new system should, however, provide an incentive to reduce poverty and be an instrument benefiting the interests of the developing countries which still faced an unfavourable trading environment. It should also contribute to enhancing the export capacities of the developing countries, and facilitate access to markets for their exports. To that end, appropriate projects should be devised to improve the trading system. International development cooperation and assistance were effective ways of reducing poverty. International aid should be twofold; it should focus, first, on finding solutions to the debt problem and, secondly, aim at increasing ODA, with particular emphasis on those developing countries with very large numbers of poor people. However, the present level of ODA remained very low. Donor countries sensitive to the particular problems of developing countries could still do a great deal in fulfilling their commitments in this regard.

15. China had poverty alleviation and prosperity as its main development goals: indeed, during the 1980s, many programmes, policies and measures had been designed to reduce poverty at a rapid pace, and China had witnessed a marked reduction in the number of its poor, dropping from 250 million to 80 million in a short space of time. Today a new programme had been set up aimed specifically at lifting the remaining 80 million poor out of poverty over a period of seven years. In this urgent and arduous task, the valuable support, aid and assistance that China was receiving from donor countries and organizations was gratefully acknowledged.

16. The representative of **Japan** said that the secretariat reports were very much appreciated. In line with chapter 5 of the Declaration and Programme of Action of the World Summit for Social Development, these reports had proposed concrete actions which would enable developing countries to formulate their national poverty-alleviation strategies. Economic development required management capacities on the part of Governments and growth-inducing economic institutions which were the basis of self-help development efforts. Japan's international assistance was founded on the concept of supporting the self-help development efforts of developing countries, taking into consideration the development experience of East Asian countries and such elements as ODA, trade, investment and national resources. It was important for developing countries not only to seek more ODA from donors but also to invigorate their own trade and investment

activities, foster entrepreneurship and set up appropriate macroeconomic policies and institutions. To the extent that they could see it appropriate to reduce military spending and allocate these resources to basic development needs, and establish an effective tax collection system, they would reap real benefits. He calculated that the share of Japan's ODA to the social sector had reached 22.6 per cent in 1993, of which a substantial amount was allocated to infrastructure-building. He concluded by saying that concrete measures should be formulated in the light of the possible unfavourable impacts of the Final Act of the Uruguay Round, taking into account the more vulnerable among the developing countries.

17. The spokesman for the **Asian Group** (Nepal) stated that the third session was taking place following closely upon two important events connected to the present deliberations of the Standing Committee: the creation of the World Trade Organization and the holding of the World Summit for Social Development. The role of UNCTAD ought to be set within the context of the vast subject areas dealt with by the Social Summit. The Asian Group fully supported the agreement reached by the Standing Committee at its second session to link poverty alleviation to the trade and development concerns of UNCTAD. Coordination of UNCTAD's work with other United Nations bodies, such as the ILO, which was dealing with related issues, was very important.

18. On the subject of international trade and poverty (agenda item 3), the position taken by the Asian Group at earlier sessions was that the approach to poverty alleviation should be a pro-poor approach. Indeed, the poor had shown that they were capable of working for their own development, provided they were empowered to do so. However, the effects on poverty of unequal competition and market forces of the Uruguay Round agreements, together with the emerging positions taken regarding environmental degradation and labour standards, gave rise to worries concerning the eventual impact of the Uruguay Round on the poor in poorer countries. The Asian Group would like to see the conclusions and policy recommendations set out in TD/B/CN.2/13 analysed thoroughly and realistically. As regards the consequences for the poor of the new trade regime, and the effects on their livelihood of producing labour-intensive goods, the prospects were not bright for most developing countries, particularly the least developed. These countries would no doubt suffer if steps were not taken to redress their situation.

19. Regarding agenda item 4, international development cooperation and its effect on poverty alleviation, the Asian Group believed that the alarming speed at which ODA and other assistance was drying up deserved urgent attention. Referring to the

recommendations outlined in TD/B/CN.2/14, namely those concerning the structure of aid expenditure, the measures and strategies to increase the assets and earning capacities of the poor and the institutional issues of financing programmes, the Asian Group was of the opinion that developing countries were in dire need of capital investment in order to implement such measures. To that end, he urged all development partners to fulfil the commitments made at Cartagena and elsewhere.

20. As for the work programme, the issue of poverty in relation to sustainable development had not yet been tackled and should be dealt with in a future session of the Standing Committee. The Asian Group fully supported the suggestions made in TD/B/CN.2/15 as regards the possible future work programme of the Standing Committee. The Committee should focus in particular on issues of poverty alleviation related to economic and technical subjects for which UNCTAD had primary responsibility in the United Nations system.

21. The representative of **Mexico** cited the World Summit for Social Development and its implications for poverty alleviation, noting that the Standing Committee on Poverty Alleviation should incorporate in its activities the broad integrated approach adopted there, starting with an in-depth analysis of the agreements reached at the Summit. This orientation would strengthen the work of the Standing Committee; new tasks could be identified that would enable the Committee to work in conjunction with other bodies in the United Nations system. In this respect, the Social Summit had established clear responsibilites for the various United Nations agencies, regarding the form and modalities of the follow-up to the Summit. All parts of the United Nations system should become more involved in social development issues, taking care to ensure that their efforts were complementary and combining resources and initiatives, whenever possible, to achieve common objectives. The Mexican authorities considered that the Standing Committee could make an important contribution to this system-wide undertaking, in particular with respect to the link between trade and social development, as set out out in paragraph 10 of the Programme of Action of the Social Summit. Such an undertaking by the Standing Committee could help not only orient future work with regard to poverty alleviation, but would also form a substantial input to UNCTAD IX. Mexico's national efforts to alleviate poverty had been structured around specific programmes dealing with education, health, nutrition and housing. An integrated approach to the provision of basic services that involved all members of the community would be the most effective way to eradicate poverty and reduce the marginalization of the poor. Training and support for their productive activities were ways in which the Government had sought to eliminate the structural causes of

poverty. Along with allocating more resources to needy social sectors in recent years, Mexico had been host to various international meetings in pursuit of policies for improving the well-being of all while giving high priority to social development and poverty elimination.

Chapter II

ORGANIZATIONAL MATTERS

A. Opening of the session

22. The third session of the Standing Committee on Poverty Alleviation was opened by Mr. Markus Kummer (Switzerland), Chairman of the Standing Committee at its second session.

B. Election of officers

(Agenda item 1)

23. At the opening plenary meeting of its third session, on 12 June 1995, the Standing Committee elected its Bureau, as follows:

Chairman:	Mr. Mounir Zahran	(Egypt)
Vice-Chairmen:	Mr. T. Jokonya	(Zimbabwe)
	Mr. A. Cambitsis	(Greece)
	Mr. A. Rogers	(Chili)
	Mr. G. T. Senadhira	(Sri Lanka)
	Mr. S. Mikhnevich	(Belarus)
Rapporteur:	Mr. H. Tausch	(Switzerland)

C. Adoption of the agenda and organization of work

(Agenda item 2)

24. Also at the opening plenary meeting of its third session, the Standing Committee adopted its provisional agenda (TD/B/CN.2/12) as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. Analysis of the effects on the livelihood of the poor of elimination of trade barriers, increased competitiveness, trade flows, external shocks, diversification of exports, particularly of labour-intensive goods, and market access for such goods

4. Analysis of the effectiveness and impact of international development cooperation for poverty alleviation, including the identification of impediments, innovative measures and effective strategies for reaching the poor

5. Other business

6. Adoption of the report of the Standing Committee on its third session to the Trade and Development Board.

D. Other business

(Agenda item 5)

[to be completed, as necessary]

E. Adoption of the report of the Standing Committee to the Trade and Development Board

(Agenda item 6)

[to be completed]